



OLENE S. WALKER
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State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

Supervisor DRH

Inspection Report

Minerals Regulatory Program

August 31, 2004

Mine Name: D-Tract

Operator or Permittee Name:

WEMBCO

Permittee Mailing Address:

20231 Orchard St., Newport Beach, CA 92660

Inspector: Paul Baker

Site location/Area Inspected (i.e. Pit #): Entire Site

Type of Mine: Surface

Permit Status: Active

Current Acreages:

Total Permitted (Bonded): 4.86

Total Disturbed: Abt. 4.86

Permit number: S/047/068

Inspection Date: August 12, 2004

Participants Doug Jensen

Inspection Start Time: Abt. 4:30 p.m.

Inspection End Time: Abt. 4:50 p.m.

Weather: Mostly clear, 80's

Surface Ownership: Private

Mineral Ownership: Private

Mineral Mined: Tar Sand

| Elements of Inspection | Evaluated | N/A | Comment | Enforcement |
|---|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| 1. Permits, Revisions, Transfer, Bonds | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. Public Safety (open shafts, adits, trash, signs, highwalls) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Protection of Drainages | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Explosives, magazines | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Deleterious Material | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Roads (maintenance, surfacing, dust control, safety) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Concurrent Reclamation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 8. Erosion Control | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Demolition | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Backfilling and Grading (trenches, pits, roads, highwalls, shafts, drill holes) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 11. Water Impoundments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Soils | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Revegetation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Air Quality | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Inspection Summary:

1. Permits, Revisions, Transfer, Bond

On August 13, 2003, a Division Directive was issued requiring that this site be permitted and bonded as a large mine. The Directive was later modified to require that the operator name be clarified, that certain areas be reclaimed, and that the operator submit a reclamation bond.

The operator submitted an amended Notice of Intention showing the operator as WEMBCO. The operator also posted a certificate of deposit in the amount of \$14,500 as a reclamation bond for 4.86 acres. The only other issue remaining on this Directive is reclamation of some exploration areas west of the site (see discussion below).

Over about the past two months, I have ^{had} several conversations with Matt Crockett, an attorney for WEMBCO, and with Jim Barnes, the land owner, about some people who want to try various processes for extracting oil from the tar sand. These companies have been unwilling to disclose their processes, and Mr. Barnes and the Division are very uncomfortable not knowing what sort of contaminants might be left in the soil or elsewhere. Depending on where they set up their operations, the size of the disturbed area and the required bond amount could be increased. We have scheduled a meeting with representatives of the Department of Environmental Quality on September 2, 2004, to discuss some of these issues.

7. Concurrent Reclamation

A letter from the Associate Director of Mining dated February 17, 2004, required reclamation and consolidation of certain areas outside the "mine pit" and the "mixing area." These areas include what were termed the "reclaimable area," the "recycling area," and the "processing area" as shown on a map the Division prepared in May 2003.

The area west of the mine pit, the "reclaimable area," was disturbed in exploration activities, but Mr. Allred told me during the May 2003 inspection he does not intend to mine this area. For this reason, this area was not included as part of the bonded area, and the Division expected it to be reclaimed by May 31, 2004. Fall is the best time to seed, and this area needs to be reclaimed before winter. The Division will be forced to take enforcement action if this area is not reclaimed this fall.

Some of the equipment in the processing area has been consolidated, but the recycling area is still nearly the same as it was a year ago. I need to meet with Mr. Allred on site, discuss these issues and determine how to best consolidate the operations and reclaim some areas.

10. Backfilling and Grading

The mine pit is quite a lot deeper than it was just over a year ago (compare Photos 1 and 3).

Directions to the site: Directions to the site are included in the report for the April 2003 inspection.

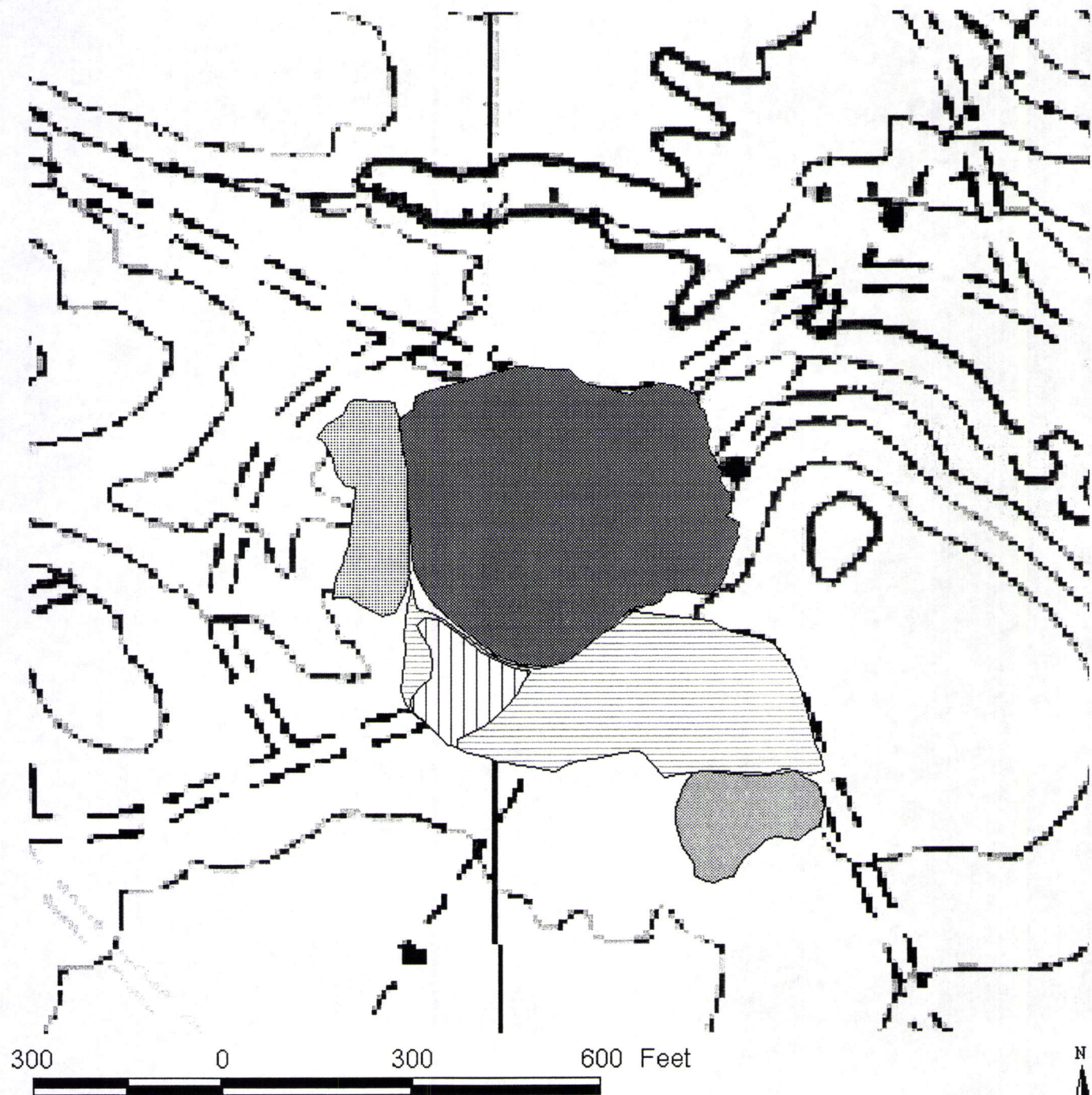
GPS data: None taken.

Inspector's Signature _____



Date: August 31, 2004

Wembco Mine S/047/068



Disturbed Areas

- Processing, 2.93 acres
- Mixing area, 0.48 acres
- Reclaimable area, 0.76 acres
- Recycling area, 0.64 acres
- WEMBCO Mine, 4.38 acres

Map created June 6, 2003, from data gathered by Paul Baker May 22, 2003. Vernal NW Quad, Township 4 South, Range 20 East, Sections 23 and 24, SLBM.

This map may not meet Division standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.